

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** April 26, 2011  
**POSITION:** Oppose  
**SPONSOR:** State Controller

**BILL NUMBER:** SB 449  
**AUTHOR:** F. Pavley  
**RELATED BILLS:** AB 187, AB 229,  
AB 276, AB 253,  
SB 186

### **BILL SUMMARY:** Controller: Local Agency Financial Review

This bill would authorize the State Controller (SCO) to conduct preliminary reviews and audits of local agencies, under certain circumstances as specified, to determine the existence of a financial problem. This bill would authorize the SCO to convene a local agency financial review committee to provide assistance to local agencies that seek it.

The committee would be chaired by the SCO and include representatives from the Department of Finance and the Office of the State Treasurer. This bill would require the SCO to report to the Legislature no later than June 30, 2012, and annually thereafter, on the actions of the committee and the status of all engagements with local agencies.

### **FISCAL SUMMARY**

This legislation does not provide an appropriation, except that it requires costs to be borne by the local agency if that agency is requesting the review or audit. For other reviews and audits, the legislation does not provide funding for the SCO's costs.

The SCO said that if this bill is enacted, the SCO would require approximately \$500,000 General Fund annually, including two auditor positions and associated expense (\$250,000) and a financial advisor contract services (\$250,000). We were not able to obtain fiscal data from the State Treasurer's Office at the time of this analysis. Depending on the extent of the financial reviews, the Department of Finance would incur additional costs, which would not be absorbable and would result in redirection from other General Fund priorities.

### **COMMENTS**

Although this bill may have merits, the Department of Finance is opposed to this bill for the following reasons:

1. This bill would result in General Fund costs. To the extent funding is not provided, the bill would result in pressure on the SCO and Finance to redirect resources from other existing priorities.
2. We note that AB 187 (Lara and Smyth) would authorize the State Auditor to establish a high-risk local government agency audit program with duties similar to those proposed for the SCO in this bill. It is not clear that the state should assume the additional cost and responsibility for oversight of local governments, and if so, whether the SCO or the Bureau of State Audits should assume those responsibilities.

Four other related bills, AB 229, AB 276, AB 253, and SB 186 address local government oversight issues as well.

Analyst/Principal (0190) O. Chaves	Date	Program Budget Manager Veronica Chung-Ng	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

<b>BILL ANALYSIS</b>	Form DF-43 (Rev 03/95 Buff)
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**BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)****Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

F. Pavley

April 26, 2011

SB 449

**SUMMARY OF CHANGES**

Amendments to this bill since our analysis of the April 25, 2011 version are minor and do not alter our position.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2010-2011	FC	2011-2012	FC	2012-2013	Fund Code
0840/Controller	SO	No		--	C	\$500	C	\$500	0001